



SEN. GEORGE RUNNER (RET.)

VICE CHAIR
STATE BOARD OF EQUALIZATION
CALIFORNIA'S TAX BOARD

May 6, 2015

Senator Ricardo Lara, Chair
Senate Committee on Governance and Finance
State Capitol, Room 2206
Sacramento, CA 95814

RE: SENATE BILL 480 (PAN) - TAXATION: QUALIFIED HEAVY EQUIPMENT (AMENDED 4/29/15) • SUPPORT •

Dear Senator Lara,

I am pleased to support Senate Bill 480, which changes the way heavy equipment rental businesses collect and pay property tax on their equipment fleets. Specifically, the bill changes the method of taxation for short-term rentals of heavy equipment by imposing a 0.75% tax on the rental price, rather than subjecting the equipment's value to personal property tax as assessed by each county. The tax will be administered and collected by the Board of Equalization.

A heavy equipment fleet is comprised of various types of equipment. Determining fair market value for each piece on an annual basis is challenging for county assessors and problematic for taxpayers. Often, assessors base annual assessments on trended historical cost, but fair market value may be less if, instead, the assessor examines actual equipment sales.

The current process leads to a high volume of tax appeals, as appraisal methods are insufficient and often incorrect. Further, wild swings in annual valuations on a year-to-year basis can occur for numerous reasons. For example, equipment moves from branch to branch and taxability depends on whether the equipment is rented on January 1. Additionally, the results of prior appeals can impact annual valuations. And, lastly, rental companies with multiple locations in the state are subjected to numerous audits each year in different jurisdictions.

SB 480 will bring uniformity to the taxation of heavy equipment as have similar policies in other states, including Maryland, Wyoming, Alabama and Arizona.

This legislation is necessary to bring consistency and predictability to the process of taxing heavy equipment rental businesses and will result in a more equitable taxation process that is less burdensome on taxpayers. For these reasons, I am pleased to support SB 480 and ask for your "aye" vote when it is heard before your committee on May 11.

Sincerely,

GEORGE RUNNER
1st District

cc: Senator Pan
Joe Shinstock, Consultant, Senate Republican Office of Policy